

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 97-242

STATE AGENCY: State Board of Tax Commissioners

DATE PREPARED: Aug 21 98

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Digest of Proposed Rule: This proposed rule adds 50 IAC 14 to establish equalization guidelines for counties. House Enrolled Act 1783-1997 [P.L.6-1997], SECTION 106, requires the State Board of Tax Commissioners to adopt rules to govern the reduction and increase of assessed valuations by the county assessor, under IC 6-1.1-13, to attain a just basis of assessment among the taxpayers of the county. The rules must specify the procedures and standards to be used by the county assessor. The rules may also address related matters authorized under the general authority of IC 6-1.1-31-1.

Governmental Entities: According to the proposed rule, real property assessments in counties not adhering to certain assessment standards may be equalized. The State Tax Board periodically performs a school assessment ratio study (SARS). According to this rule, if the SARS or any other State Tax Board study indicates that a school corporation's assessment ratio or any other district's assessment ratio is outside of certain percentages then the county assessor must conduct an assessment ratio study for the entire county. The assessments may not vary from the norm by more than 25% in 1999 and 2000, 15% from 2001 - 2004, and 5% beginning in 2005.

Those counties that must conduct equalization studies must take random statistical samples of real estate parcels within each township and the county assessor must perform an independent assessment of those parcels. The State Tax Board will determine the size of each sample. Various fields on the sampled property record cards, such as true tax value, grade, cost, condition, etc. are to be deleted before the county assessor conducts the independent assessment.

The results of the independent assessment along with the original data from the cards will then be forwarded to the State Tax Board where the assessment ratio for each class of property will be calculated. The need for equalization or reassessment is indicated if the ratios are outside of the same norms discussed above. The level of uniformity for each property class is also examined in this process. A deviation from the median ratio of 20% or less in 1999 and 2000 or a ratio of 15% or less in 2001 and after is acceptable.

State: According to the rule, the State Tax Board will determine sample sizes, assist counties with sampling procedures, compute assessment ratios, and approve alternate methodologies for determining whether properties are properly assessed. The State Tax Board expects to accomplish these tasks with existing resources.

There are no unfunded mandates placed upon any other state agency by this proposed rule.

Local: According to the latest SARS, 29 counties will initially have to perform assessment ratio studies under

this rule. All real property in Lake County, which otherwise would have been required to perform an assessment ratio study, has recently been ordered reassessed.

The cost of the assessment ratio study will vary from county to county. Components of the cost include randomly sampling property record cards, copying and preparing the cards, travel and time to view the property, taking measurements and correcting the drawings as needed, repricing the property, and reporting the results to the State Tax Board in a computer readable format. Contributing factors include the number of townships in the county, the number of parcels, the mix of parcel types, geographic location, and the number of qualified assessors available to conduct the studies.

Taking these factors into consideration, the cost of studying the initial 29 counties is estimated at approximately \$1.6 million to \$1.7 million. This is based on an average estimated cost of \$50 - \$75 per commercial or industrial parcel and about \$50 per parcel for all other parcel types in these counties. About 32,350 parcels would be examined in these 29 counties. Some counties may be able to perform some or all of this work with existing staff while other counties may need to hire additional employees or contractors. The above cost estimate assumes that all counties will contract for services. If a county uses existing resources, that county's expense may be greatly reduced. All counties conducting studies will incur additional administrative expenses such as for travel and supplies. These amounts are included in the above cost estimate.

The number of counties that will be required to perform assessment ratio studies in the future is uncertain and depends on the accuracy of future reassessments. About 95,250 parcels would be examined if all 92 counties were required to perform assessment ratio studies. Taking the above cost factors into consideration, studies by all 92 counties are estimated to cost approximately \$5.0 million to \$5.2 million. This is based on an average estimated cost of \$52 - \$75 per commercial or industrial parcel and about \$52 per parcel for all other parcel types in all counties. Again, this estimate assumes that all counties would contract for services and does not take into account those counties that will use existing resources.

Counties may use money from their General or Property Reassessment Funds to pay for the studies.

Regulated Entities: Property tax shifts among classes of property and among townships will occur if a county is equalized under this rule. The overall impact of this rule is revenue neutral as total levies will not change. A preliminary State Tax Board study based on SARS data indicates that at least \$11 million in property taxes will be shifted among the different property classes and townships in the initial 29 counties.

Information Sources: Jeff Wuensch, State Board of Tax Commissioners (232-3761); Nick Pasyanos, Association of Indiana Counties (684-3710).